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Abstract

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INSTRUCTIONAL OBJECTIVES FOR A JUNIOR COLLEGE COURSE IN ACCOUNTING (SECOND SEMESTER)

Compiled by

Michael R. Capper

ERIC CLEARINGHOUSE FOR JUNIOR COLLEGES
University of California
Los Angeles, California 90024

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ACCOUNTING OBJECTIVES: SET # 1

ORGANIZATION OF UNITS OF INSTRUCTION

I. THE PARTNERSHIP

The partnership is - "an association of two or more persons to carry on, as co-owners, a business for profit."

Major Concepts

The student must be able to apply the skills and knowledge acquired in the first semester (basic concepts, terminology, and the accounting cycle) to the partnership.

1. The student will be able to describe a partnership, reasons for their formation, significant features, and their advantages and disadvantages.

2. The student will be able to identify, analyze, and resolve problems unique to partnership accounting in the following areas:

Accounting for investments, drawings, and loans by partners

Closing the books of the partnership - the financial statements

Methods of dividing profits and losses

Accounting for admission or retirement of a partner and the liquidation of a partnership

Specific Objectives

	Criterion	Performance
1. Without aid or reference, the student will be able to answer the questions appearing at the end of Chapters 15 and 16.	100	100
2. Given a series of related business transactions (an accounting problem) similiar to those assigned at the end of each chapter, the student will demonstrate his understanding of basic accounting principles relating to partnerships by analyzing the transactions, determining the portion which is pertinent to the solution of the problem, and applying an accumulative understanding of accounting principles and theory to this data. (See general objectives 4. and 5.)	90	90
3. Given a series of transactions, the student will be able to prepare the necessary journal entire to open the books and record additional investments, withdrawals, or loans from partners.	90	90
4. Given a series of transactions and other data, the student will be able to prepare a trail balance, adjusting entries, and financial statements of a partnership (income statement, balance sheet, and statement of partners' capital).	90	90
5. Given specific accounting data and various partnership agreements as to the division of profits and losses, the student will be able to make the proper entries to close the income summary to partners' capital.	90	90
6. Given a series of transactions, the student will be able to prepare the necessary journal entries to discribe the admission of a partner by:	90	90

II. THE CORPORATION

The corporation is "an artificial being, invisible, intangible, and existing only in contemplation of the law."

MAJOR CONCEPTS

The corporation is the dominate form of business organization and as such is most important to the accounting student. This unit completes the first study of accounting. Other units and courses to follow either cover specialized areas or cover the same subjects in greater depth. Successful completion of this unit is a necessary step in building a solid basis for further study in accounting.

1. The student will be able to describe a corporation, its advantages and disadvantages, its formation, the role of its officers, directors and stockholders essential to an understanding of the basic organization and operation of the corporation.

2. The student will be able to define and give advantages and disadvantages of various types of capital stock, to define terms and accounts typical to the stockholders' equity section, and to write journal entries to record transactions common and unique to the corporation including the following:

   Formation of the corporation and organization costs
   Stock issuance (par and no-par stock)
   Subscription transactions
   Stock dividends and cash dividends
   Reserve entries
   Extraordinary gains and losses
   Treasury stock transactions

3. Given various capital stock transactions, the student will be able to prepare in proper form, the stockholders' equity section of the balance sheet.

Purchase of an interest in the firm

Investment in the firm under bonus or goodwill method

Allowing goodwill or bonus to new partner

Revaluation of assets

7. Given a series of transactions, the student will be able to prepare the necessary journal entries to discribe the retirement of a partner, or liquidation of the partnership. 90 90

Specific Objectives	Criterion	Performance
Organization and Operation		
1. Without aid or reference, the student will be able to answer the questions appearing at the end of Chapter 17.	100	100
2. Given a series of related business transactions, similiar to those assigned at the end of the chapter, the student will demonstrate his understanding of basic accounting principles relating to the organization and operation of the corporation by analyzing the transactions, determining the portion which is pertinent to the solution of the problem, and applying an accumulative understanding of accounting principles and theory to this data.	90	90
3. Given a series of transactions, the student will be able to prepare in good form the balance sheet and income statement of the corporation.	90	90
Capital Stock Transactions		
1. Without aid or reference, the student will be able to answer the questions appearing at the end of Chapter 18.	100	100
2. Given a series of related business transactions, the student will demonstrate his understanding of basic accounting principles relating to capital stock transactions of the corporation by analyzing the transactions, determining the portion which is pertinent to the solution of the problem, and applying an accumulative understanding of accouting principles and theory to this data.	90	90

3. Given a list of capital stock transactions, the student will be able to prepare proper journal entries to record them, as follows:

Stock issued for cash, at par, in excess of par and below par.
Stock issued for assets other than cash
Issuance of no-par stock
Subscriptions to capital stock, par and no-par
Default by subscribers

Retained Earnings, Dividends, and Reserves

1. Without aid or reference, the student will be able to answer the questions appearing at the end of Chapter 19. 100 100

2. Given a series of related business transactions, the student will demonstrate his understanding of basic accounting principles relating to retained earnings, dividends and reserve transactions, determining the portion which is pertinent to the solution of the problem, and applying an accumulative understanding of accounting principles and theory to this data. 90 90

3. Given transactions relating to capital accounts and other data, the student will be able to prepare the journal entries to record these transactions and the stockholders; equity section of the balance sheet. 90 90

Extraordinary Gains and Losses, Treasury Stock, Book Value

1. Without aid or reference, the student will be able to answer the questions appearing at the end of Chapter 20. 100 100

2. Given a series of related business transactions, the student will demonstrate his understanding of basic 90 90

accounting principles relating to extraordinary gains and losses, treasury stock, and book value, by analyzing the transactions, determining the portion which is pertinent to the solution of the problem, and applying an accumulative understanding of accounting principles and theory to this data.

III. INVESTMENTS AND LONG-TERM DEBT

This unit considers the issuance of securities and such related transactions from the view point of the issuing corporation and from the viewpoint of the investor.

Major Concepts

1. The student will be able to describe various alternative methods of obtaining capital - mortgage notes, corporation bonds, debenture bonds, fixed-maturity bonds, serial bonds, coupon bonds, and registered bonds, to describe characteristics of each, and their advantages and disadvantages.

2. The student will be able to properly record bonds payable and sinking fund transactions and illustrate these by preparing a balance sheet in proper form.

3. The student will be able to describe the proper classification for investments in bonds, stocks, and mortgages from the viewpoint of the investor, their valuation on the balance sheet, and their cost.

4. The student will be able to prepare proper journal entries to record bond interest, purchase of securities, bond premium or discount transactions, amortization of discount, and gains and losses on the sale of such investments.

VI. THE VOUCHER SYSTEM - PAYROLL ACCOUNTING

The voucher system is one of the most important control devices used by both small and large business. The student will almost certainly come in contact with some type of voucher system with his initial business experience. Accurate payroll records are essential as a basis for maintaining satisfactory relations with employees and in order to meet complex requirements under Federal and state laws concerning payroll taxes.

Major Concepts

1. The student will understand the operation of a voucher system including the various documents and controls involved.

2. The student will be able to provide for unusual transactions through the voucher register - purchase returns and allowances, partial payments, and correction of errors.

3. The student will be familiar with the fundementals of payroll accounting including deductions, records, procedures, and employer payroll taxes.

Specific Objectives

	Criterion	Performance
1. Without aid or reference, the student will be able to answer the questions appearing at the end of Chapter 23.	100	100
2. Given a series of related business transactions similiar to those assigned at the end of the chapter, the student will demonstrate his accumulative understanding of basic accounting principles relating to the recording of such transactions in the voucher register, check register, and payroll register.	90	90

Specific Objectives	Criterion	Performance
1. Without aid or reference, the student will be able to answer the questions appearing at the end of Chapters 21 and 22.	100	100
2. Given a series of related business transactions, similiar to those assigned at the end of the chapters, the student will demonstrate his understanding of basic accounting principles relating to the treatment of bonds payable, sinking funds, and investments in bonds, stocks, and mortgages, determining the position which is pertinent to the solution of the problem, and applying an accumulative understanding of accounting principles and theory to this data.	90	90

V. ACCOUNTING FOR MANUFACTURING CONCERNS

This unit deals with the functional classification of expenses and their relation to expense analysis and allocation, an introductory consideration of direct costing and cost accounting, and other problems faced by the manufacturer.

Major Concepts

1. The student will understand the need for departmental information and the basic approaches in developing this data.

2. The student will be able to approtion expenses by object and functional classifications, to classify expenses as direct and indirect, joint and common, etc.

3. The student will understand the basic terminology and methods of manufacturing accounting - including expenses included in manufacturing costs, the statement of costs of goods manufactured, product and period costs, and methods of direct costing.

4. The student will understand the problems and methods of basic cost accounting, including the problems of cost determination, flow of costs, types of cost systems (job order and process flow)

5. The student will be able to describe direct costing and standard costing.

Specific Objectives

	Criterion	Performance
1. Without aid or reference, the student will be able to answer the questions appearing at the end of Chapters 24, through 27.	100	100
2. Given a series of related business transactions similiar to those assigned at the end of the chapter, the student will demonstrate his accumulative understanding of basic accounting principles relating to departmental operations and allocation of expenses in various ways	90	90

common to the manufacturing company and cost accounting,

3. Given a list of the basic terminology of manufacturing accounting discussed in these chapters, the student will be able to describe and identify them. 90 90

VI. ACCOUNTING FOR TAXES

Since an important portion of business profit is paid over to the Federal, state, and local governmental units, the study of taxation is of considerable consequence to the accounting student. This unit represents an introduction to this important subject.

Major Concepts

1. The student will have a broad understanding of the nature and importance of income, sales, and property taxes at the conclusion of the unit.

2. The student will be able to list the classes of taxpayers, describe cash basis and accrual basis differences, and the broad formula for the determiniation of personal and corporation income taxes.

Specific Objectives	Criterion	Performance
1. Without aid or reference, the student will be able to answer the questions at the end of Chapter 27.	100	100
2. Given a series of related data similiar to the problems assigned at the end of the chapter, the student will be able to demonstrate his accumulative understanding of taxation by properly solving these problems.	90	90

VII. STATEMENT ANALYSIS, STATEMENT OF SOURCES AND APPLICATIONS OF FUNDS, AND THE BUDGET

The application of accounting principles and theory to produce a meaningful financial statement is actually only the starting point. This unit deals with the application of the tools of analysis to financial statements, preparation of special statements (source and applications of funds), and the application of budgeting techniques for the process of planning and controlling future business operations.

Major Concepts

1. The student will understand the primary tools of financial statement analysis.

2. The student will be able to understand and prepare a simple statement of sources and applications of funds statement.

3. The student will understand the purpose, terminology, and methods of financial budgeting.

Specific Objectives	Criterion	Performance
1. Without aid or reference, the student will be able to answer the questions at the end of Chapters 28 and 29.	100	100
2. Given a series of related data similiar to the problems assigned at the end of the chapters, the student will be able to demonstrate his accumlative understanding of financial statement analysis, of the statement of sources and applications of funds, and of budgetary procedures and methods, by properly solving these problems.	90	90
3. The student will be able to list and describe the three primary analytical techniques of statement analysis.	100	100
4. The student will be able to state two	100	100

standards of comparison which may be used for statement analysis and illustrate their use.

5. The student will be able to define and indicate the calculation of each of the following: 100 100

   a. Return per share of stock
   b. Return on total assets
   c. Equity ratio
   d. Yield rate on bonds
   e. Debt ratio
   f. Current ratio
   g. Quick ratio
   h. Inventory turnover
   i. Average age of receivables

6. Given a simple set of facts, the student will be able to prepare a statement of sources and applications of funds in proper form. 90 90

7. Given sales, fixed expenses and variable expenses (expressed as a percentage of sales), the student will be able to draw and calculate the break-even chart. 100 100

ACCOUNTING OBJECTIVES: SET # 2

ORGANIZATION OF THE UNITS OF INSTRUCTION:

I. General-Purpose Financial Statements:

A. The Balance Sheet shows the financial position of a business unit at a given date. The Balance Sheet is sometimes referred to as the Statement of Condition, Statement of Financial Position, and Statement of Resources and Liabilities.

1. Financial position is the cumulative result of all transactions of the business unit from its very start.

B. The Income Statement summarizes revenues and expenses of the period (ie. week, month, quarter, year or some other division) and reports the profit or the loss resulting from the matching process (matching revenue with expired costs) The Income Statement is sometimes referred to as Statement of Profit and Loss, Statement of Income and Expense, Statement of Earnings, and Statement of Operations.

C. The Retained Earnings Statement summarizes the changes in owners' equity for the period corresponding to the Income Statement period.

Major Concepts:

The student must be able to apply the skills and knowledge acquired in Accounting 119 (fundamental procedures and principles), Accounting 120 (application of procedures and principles), and Accounting 219 (special problems and theory in assets and current liabilities).

1. The student will recognize the fundamental elements and subelements of general-purpose financial statements.

2. The student will recognize the various format presentations of general-purpose financial statements.

3. The student will understand the basic assumptions underlying accounting including the distinction between accounting principles and accounting postulates, the matching process, the continuity assumption, the business entity assumption, and the stable monetary assumption.

Specific Objectives:

1. Without references, the student will indicate the Balance Sheet classifications of five given items. The items will be the same or similar to those in Exercises 1, 2, and 3 at the end of Chapter 1 in the text. Time limit: 7.5 minutes. Accuracy: 100%.

2. Without references, the student will indicate the Income Statement classifications of five given items. The items will be the same or similar to those in Exercise 1 at the end of Chapter 2. Time limit: 7.5 minutes. Accuracy: 100%.

3. Given a group of data, the student will prepare a Retained Earnings Statement in good form. Good form is shown on Pages 41 and 42 of the text. Some of the data may not be applicable or relevant. Examination conditions will prevail. Use abbreviations where feasible. Time limit: 10 minutes. Accuracy: 95%.

4. Given five illustrations of various financial statements and a list of the various possible forms, the student will match the illustrations with items in the list. Some items in the list may be used more than once or not at all. Examination conditions will be in effect. Time limit: 10 minutes. Accuracy: 95%.

5. Given five terms and a series of definitions concerning the basic assumptions underlying accounting, the student will match the definitions with the proper terms. Some items in the list of definitions may be used more than once or not at all. Examination conditions will be in effect. Time limit: 10 minutes. Accuracy: 100%

II. Plant and Equipment (Fixed Assets):

The term plant and equipment is a classification heading for those tangible properties of a relatively permanent character that are used in the normal conduct of business. The term fixed assets is frequently used.

Plant and equipment items are generally classified into three groups: (1) land, (2) buildings, and (3) machinery and equipment.

Major Concepts:

Each business unit needs a fixed location and certain equipment or fixtures in order to operate.

Although plant and equipment as a class remains as long as the business continues, the individual items, with the exception of land, have a limited service life. The cost of plant items is assigned to operations by means of periodic depreciation charges. When an item is no longer of economic benefit to the business its cost should have been fully absorbed through these periodic charges.

1. There are a number of different ways in which plant and equipment items are acquired and each presents special problems relating to asset cost. The student will be able to properly record acquisition transactions under the different acquisition methods.

2. The student will understand the generally accepted methods of depreciation including the causes of depreciation, the factors considered in arriving at the periodic cost allocation, and the basic definition for depreciation accounting.

3. The student will be able to resolve special plant and equipment problems including changes in cost and depreciation rates and asset devaluation.

4. The student will understand the basic terminology applicable to special valuation problems such as reproduction cost, replacement cost, sound value, and appraisal value.

5. The student will be able to differentiate between depletion and depreciation and will be able to solve depletion problems.

Specific Objectives:

1. Given three different circumstances and data under which a fixed asset is acquired, the student will prepare the initial journal entry (ies) for each circumstance. Examination conditions will be in effect. Time limit: 15 minutes. Accuracy: 80%.

2. Given the five methods of depreciation and a list of definitions or formulaes, the student will match the method with the most appropriate definition or formula. All definitions will not be used. Time limit: 10 minutes. Accuracy: 100%. No references.

3. The student will list the two functional factors and the three physical factors that limit the life of property. Use five words or less for each factor. Examination conditions are in effect. Time limit: 5 minutes. Accuracy: 90%.

4. Without references, in twenty-five words or less, the student will write a definition for depreciation accounting. Time limit: 5 minutes. Accuracy: 100%.

5. Given the data on a fixed asset, the student willprepare the necessary journal entry (ies) to reflect (1) a change in asset life, (2) a change in asset cost, and (3) a significant permanent decline in the value of the fixed asset. References cannot be used. Time limit: 30 minutes. Accuracy: 80%.

6. Given the data on two fixed assets and the two methods of depreciation to be used, the student will calculate the depreciatio for the first two years that the fixed assets are in use. Referenc will not be used. Time limit: 20 minutes. Accuracy: 90%.

7. The student will define four of five given terms pertaining to special valuation problems. Examination conditions will be in effect. Time limit: 12 minutes. Accuracy: 75%.

8. Outside of class, the student will write a statement of fifty words or less which:

a. Defines depletion and
b. Cites the distinctions between depletion and depreciati

Accuracy: 100%.

9. Given the data on a depletion problem, the student will calculate the annual depletion and will prepare the necessary journal entry (ies) for the first year. Time limit: 15 minutes. Accuracy: 100%. References cannot be used.

III. Intangibles:

The difference between tangible and intangible assets lie in the physical and non-physical characteristics of the properties concerned. Tangible assets are physical properties that are used by the business such as plant and equipment; intangible assets are certain rights, privileges, and competitive advantages that serve business.

Major Concepts:

Intangibles, include patents, copyrights, franchises, trademarks, trade brands, formulaes and secret processes, goodwill, organization costs, and leaseholds.

1. The student will understand the basic terminology applicable to intangible assets.

2. The student will know the basic Internal Revenue Code rule pertaining to organization costs.

3. The student will be able to determine the location in the financial statements of amortization of intangibles.

Specific Objectives:

1. Given five definitions of intangibles, the student will write, in the space provided, the name of the intangible being defined. This will be accomplished without references. Time limit: 10 minutes. Accuracy: 95%.

2. Given a series of data on three intangibles, the student will calculate the annual amortization and prepare the necessary journal entry (ies) for each calculation for the first year. No method of amortization may be used more than once. Examination conditions will be in effect. Time limit: 25 minutes. Accuracy: 80%.

3. In twenty words or less, the student will write the basic Internal Revenue Code rule pertaining to organization costs. Time limit: 5 minutes. Accuracy: 100%. References may not be used.

4. Given a list of intangible amortization situations, the student, in ten words or less for each item, will give the circumstances under which the amortization expense should be shown in the financial statements as (1) ordinary expense, (2) extraordinary expense, and (3) retained earnings. Examination conditions will be in effect. Time limit: 10 minutes. Note that you have to complete only five of the eight; do not complete more than five. Accuracy: 100%.

IV. Long-Term Liabilities:

Long-term or fixed liabilities include all liabilities or items of indebtedness with a maturity date which is more than one year from the balance sheet date. They include long-term notes payable, mortgages, bonds payable, and pension plan liabilities.

Major Concepts:

Long-term notes or mortgages or bonds may be issued and the proceeds used to liquidate the current debt which is due or overdue, to obtain additional funds for a limited period without increasing the permanent capitalization through the issuance of additional capital stock, or long-term borrowing of funds is the less expensive method of financing.

1. The student will be able to describe various alternative methods of obtaining capital--mortgage notes, corporation bonds, debenture bonds, fixed-maturity bonds, serial bonds, coupon bonds, and registered bonds, to describe characteristics of each, and the advantages and disadvantages of each.

2. The student will be able to properly record bonds payable transactions from given data and to illustrate them by preparing a balance sheet in proper form.

3. The student will be able to differentiate between informal and formal pension plans including a definition of each and the manner in which each should be treated in the accounting records.

4. The student will be able to prepare proper journal entries to record bond interest and bond premium and discount transactions.

Specific Objectives:

1. Given five methods of long-term financing, the student will write the characteristics and advantages and disadvantages of three. Incomplete sentences may be used. References will not be used. Time limit: 30 minutes. Accuracy: 85%.

2. Given a series of data on some bonds, the student will prepare the necessary journal entries to record (a) the issuance of the bonds, (b) the interest payments and adjustments relating to the debt one year after the issuance, and (c) the retirement of the bonds prior to maturity. In addition, the studentwill show how the long-term liability section of the balance sheet pertaining to the particular bonds will appear one year after issuance. Time limit: 45 minutes. Accuracy: 85%. References may not be used.

3. In twenty-five words or less, the student will write a statement which indicates the essential difference between an informal pension plan and a formal pension plan. For each method, give the proper accounting treatment. Use incomplete sentences. Time limit: 10 minutes. Accuracy: 100%. References may not be used.

4. Given a series of data pertaining to a bond issue, the student will prepare the necessary journal entry (ies) to reflect the proper interest accrual at year end. References may not be used. Time limit: 20 minutes. Accuracy: 85%.

V. Paid-In Capital and Retained Earnings:

The corporation is an artificial entity created by law that has an existence separate from its owners and may engage in business within prescribed limits just as a natural person. The modern corporation makes it possible for large amounts of property to be assembled under one management.

The proprietorship of a corporation is composed of the outstanding shares of all classes of capital stock, retained earnings, paid-in capital in excess of the amounts credited to the capital stock accounts, and proprietorship reserves.

In a small corporate organization, the probabilities are that only one class or--at most--two classes of capital stock will be issued. In large, complex organizations, there may be many issues, and the rights of each class may differ widely from the rights of other classes.

Major Concepts:

An ownership interest in a corporate entity is evidenced by shares of stock in the form of certificates. Most companies issue a single class of stock. When a single class of stock is issued, shares are all alike and are known as common stock. When more than one class is issued, stock that is given certain preferences over the common issue is called preferred stock.

Because of the nature of the corporate form, it is necessary to distinguish between the capital originating from the stockholders' investment (Paid-In Capital) and the capital originating from earnings (Retained Earnings). Retained Earnings is essentially the meeting place of the balance sheet accounts and the income statement accounts. As a result, the retained earnings balance represents net accumulated earnings of the corporation.

1. The student will be able to define and give advantages and disadvantages of various types of capital stock, to define terms and accounts typical to the stockholders' equity section of the balance sheet, and to write journal entries to record transactions common and unique to the corporation including stock issuance, subscription transactions, stock dividends, cash dividends, stock splits, treasury stock transactions, reserve or appropriation entries, and extraordinary gains and losses.

2. The student will be able to prepare, in proper form, the stockholders' equity section of the balance sheet.

Specific Objectives:

1. Given a series of related business transactions, the student will demonstrate his understanding of basic accounting principles relating to capital stock transactions of the corporation by analyzing the transactions, determining the portion which is relevant to the solution of the problem, and applying an accumulative understanding of accounting principles and theory to this data. Time limit: 45 minutes. Accuracy: 80%. No references may be used.

2. Given five capital stock transactions, the student will be able to prepare proper journal entries to record them. In addition, the student will prepare the stockholders' equity section of the balance sheet for one of the five. Time limit: 30 minutes. Accuracy: 90%. No references may be used.

3. Given three retained earnings transactions, the student will be able to prepare proper journal entries to record them. In addition, the student will prepare the retained earnings portion of the stockholders' equity section of the balance sheet for one of the three. Time limit: 30 minutes. Accuracy: 90%. Examination conditions are in effect.

VI. Statement of Source and Application of Funds:

The balance sheet provides a summary of a company's financial resources and the equities of the creditors and owners in such resources at the end of the period. Statements of income and capital summarize the activities that were responsible for the changes in capital during the period. The Statement of Source and Application of Funds summarizes the activities that were responsible for the changes in the financial resources during the period. The Statement is frequently referred to as a funds statement, the statement of application of funds, the source and application of funds statement, the statement of financial operations, the statement of resources provided and applied, and the where-got, where-gone statement.

Major Concepts:

Funds for purposes of the funds statement is defined in a number of ways, and the definition that is employed determines the character as well as the form of the statement. Funds is generally used to denote working capital. In its broadest sense, the term has been used to denote all financial resources. In its narrowest sense, it has been used to denote only cash.

1. The student will be able to identify items as being sources or applications of funds.

2. The student will be able to prepare a Statement of Source and Application of Funds.

Specific Objectives:

1. Given twenty accounts and their changes over the period (ie. Increase or Decrease), the student will identify them as sources or applications of funds. The student will use the given information only in making his determination. Time limit: 30 minutes. Accuracy: 90%. References are prohibited.

2. Given the trial balance of a business unit for year one and year two, the student will prepare a Statement of Source and Application of Funds in proper form. Any other pertinent data which cannot be derived from the trial balance will also be given. Examination conditions are in effect. Time limit: 45 minutes. Accuracy: 85%.

VII. Financial Statement Analysis:

The financial statements give vital information concerning the position of a business and the results of its operations. This information is important to the many groups that are interested in the business.

Analysis of the data reported on the financial statements is necessary in reaching conclusions regarding the business and its activities. The nature of the analysis depends upon the questions that are raised.

Analysis is generally directed toward reaching answers to three broad questions that are raised with respect to a business: (1) its solvency (or liquidity), (2) its stability, and (3) its profitability.

Major Concepts:

There are a great many special measurements that may be developed from financial statements and supplementary financial data. Such measurements may be divided into those that analyze the balance sheet position and those that analyze operating results.

1. The student will understand the primary tools of financial statement analysis.

Specific Objectives:

1. In fifty words or less, students will be able to differentiate between the two categories of analytical procedures and to give an advantage or disadvantage of each. Do not give the advantage of one and the converse of the advantage as the disadvantage for the other. Examination conditions will be in effect. Time limit: 10 minutes. Accuracy: 95%.

2. Given five ratios pertaining to a set of financial statements or sets of financial statements for a particular company, the student will write in fifteen words or less for each item the significance of the ratio to a prospective investor or owner. Time limit: 25 minutes. Accuracy: 90%. Examination conditions are in effect.